

Main Street District Retail Recruitment Initiative

Economic Development and Housing
Committee

May 1, 2006

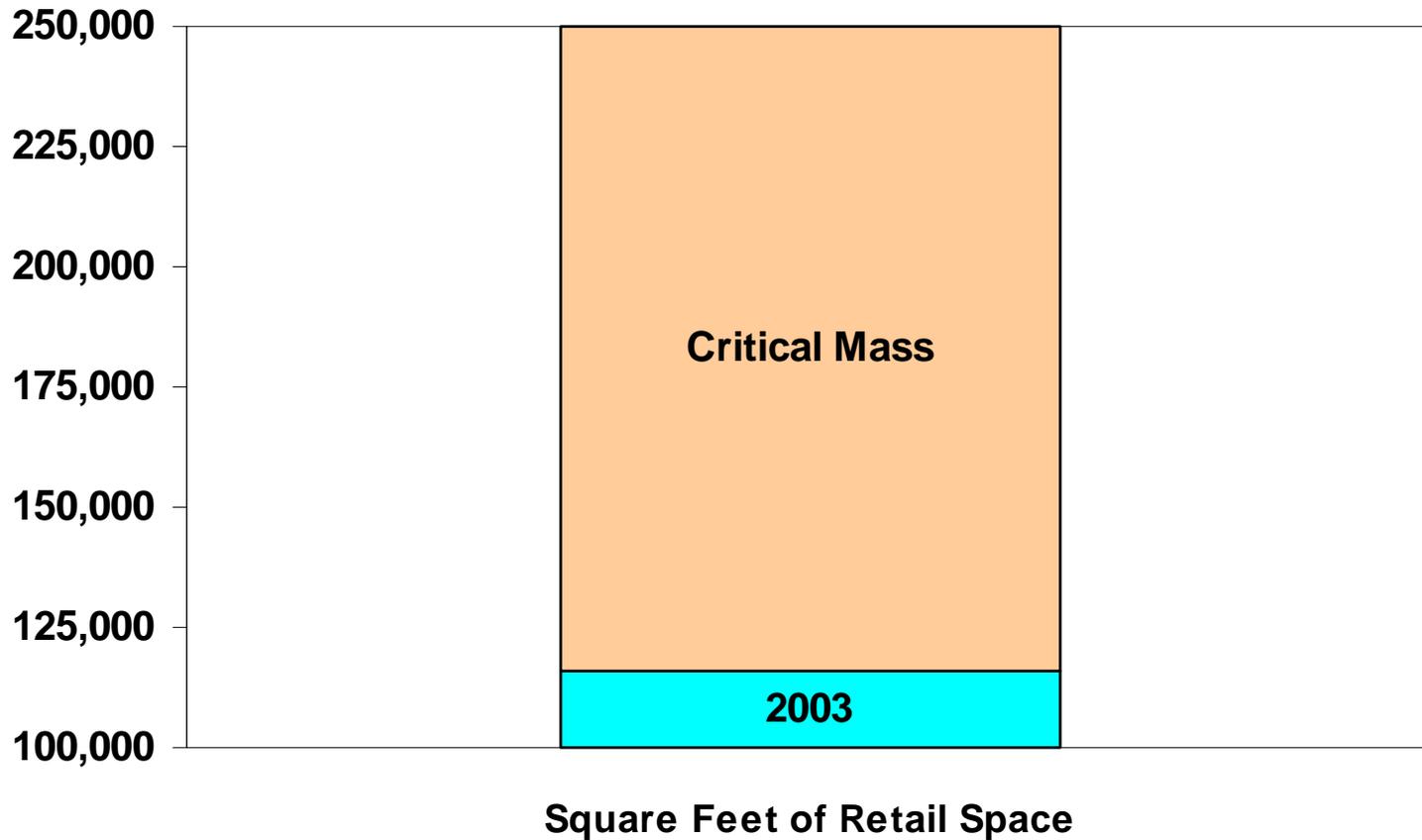
Background

- Fact: Over the past decades a number of factors, including the general decline of the urban core as a result of “suburban flight” and development of new shopping malls, have contributed to the loss of retail concentration in downtown Dallas.
- Fact: The City of Dallas is revitalizing downtown because it recognizes the necessity for the health of the entire City.

Background

- It was determined by consultants H. Blount Hunter Retail and Real Estate Research in 2005 that 250,000 square feet of mixed and unique retail was needed in downtown Dallas to reach critical mass, the point in which the district becomes a vital, self-sustaining neighborhood.
- To support the growing residential population and to ensure the City's investments are not lost, a critical mass of retail must be in place.
- Because we have not reached critical mass, we need to support retailers to invest now and overcome this fragile period - retailers are not confident in the downtown market.

Keeping Our Eyes on the Goal



Note: The critical mass goal and chart exclude Neiman Marcus.

Retail Recruitment Phase I

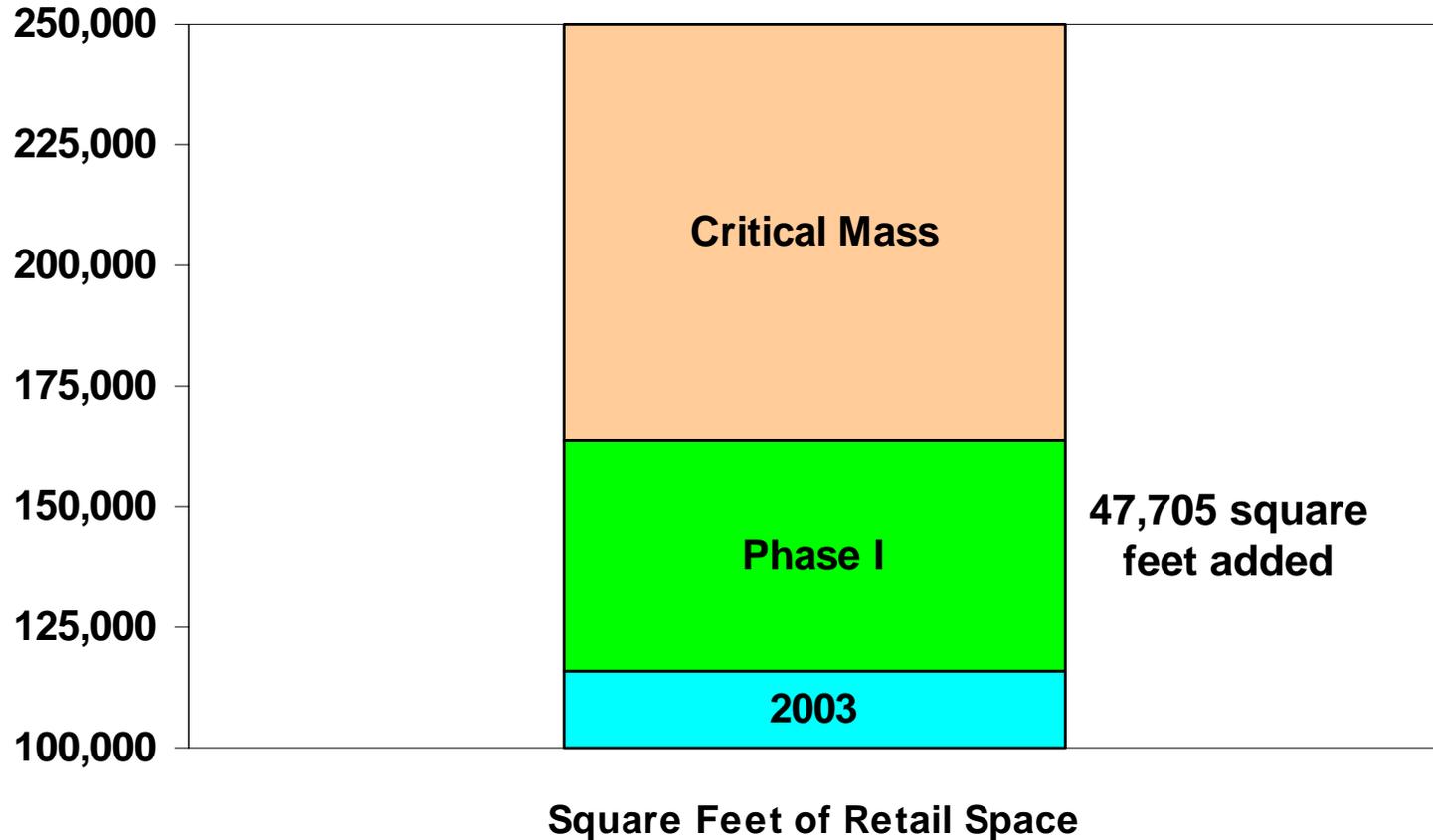
- In October 2003, the City Council established the City of Dallas Main Street District Initiative Loan and Grant Program to stimulate business and commercial activity within the downtown retail core area.
- The major component of this Program is the Retail Recruitment Initiative.

Retail Recruitment Phase I

- This initiative was designed to:
 - attract 40,000 - 60,000 square feet of unique, non-restaurant retailers to the Main Street District
 - create new retail jobs downtown
 - serve all of the downtown customers
 - generate new general fund revenue from retail sales taxes.
- On January 5, 2005, the City Council approved Resolution Number 05-0200, authorizing the Retail Recruitment Initiative Criteria establishing the Implementation Policy for the City of Dallas Main Street District Initiative Loan and Grant Program.

Keeping Our Eyes on the Goal

Phase I Results



Note: The critical mass goal and chart exclude Neiman Marcus.

New Retail



Swirl



Crimson in the City

Phase I – Goals and Accomplishments

- \$2,500,000 was set aside for the Retail Recruitment Initiative.
- Phase I goal was met.
- The funds have been allocated as follows:

<u>Retailer</u>	<u>Status</u>	<u>Square Footage</u>	<u>Funding</u>
Marketing/Leasing Partner		n/a	\$247,500
Kül Design Studio	Open	9,706	\$400,000
Crimson in the City	Open	2,500	\$202,556
Swirl	Open	5,193	\$301,875
Davis Lot	Retailers tbd	20,000	\$725,000
Footgear	Open	3,000	\$136,000
Benji's	Open	2,006	\$164,016
Betty Anne Smith Gallery	Under Construction	5,300	\$291,288
TOTAL SF		47,705	\$2,468,235

More work toward critical mass is needed



1608 Main Street



Praetorian Building



1615 Main Street



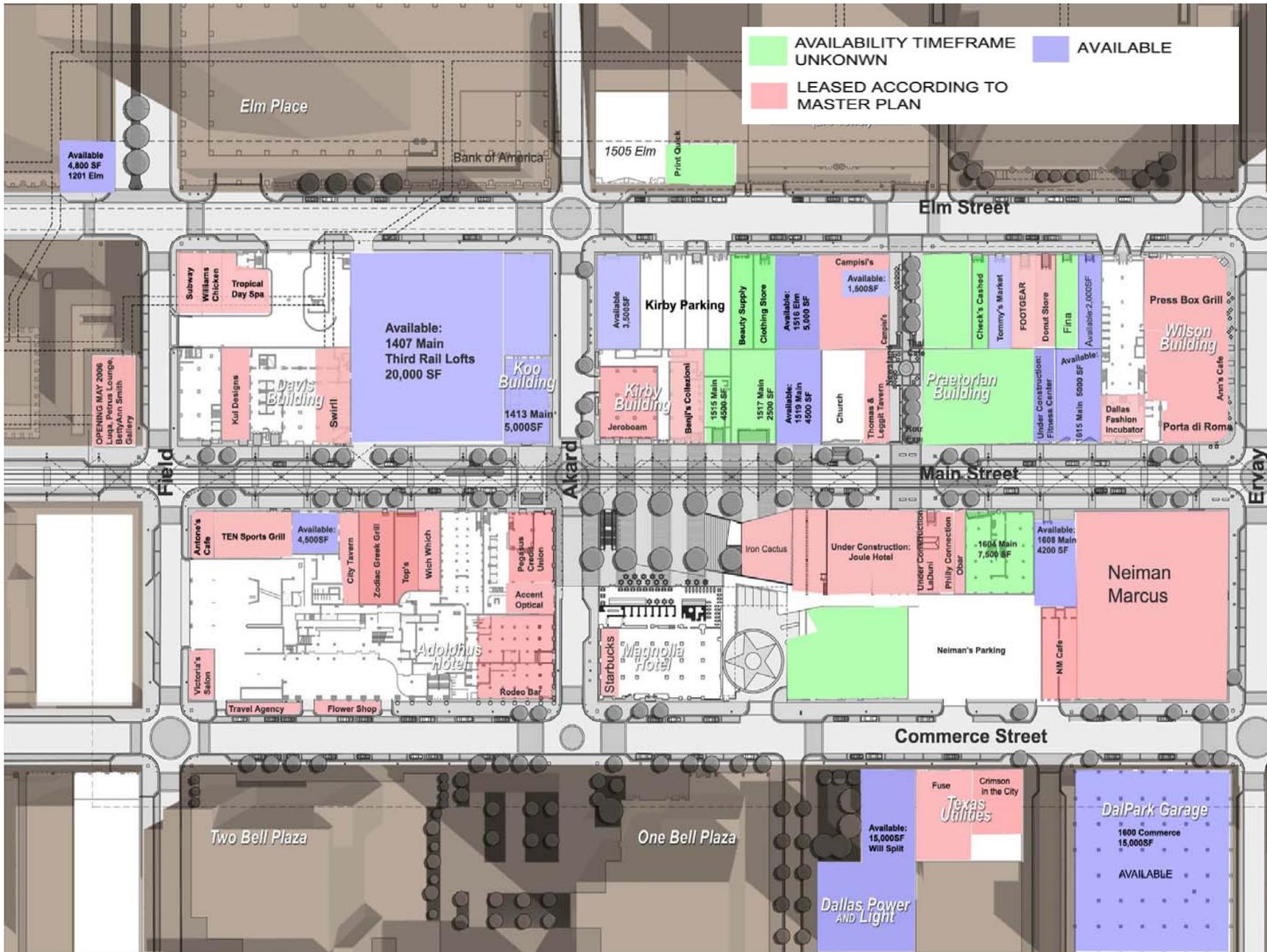
1509 Main Street



1505 Commerce Street

AVAILABILITY TIMEFRAME

- UNKNOWN
- AVAILABLE
- LEASED ACCORDING TO MASTER PLAN

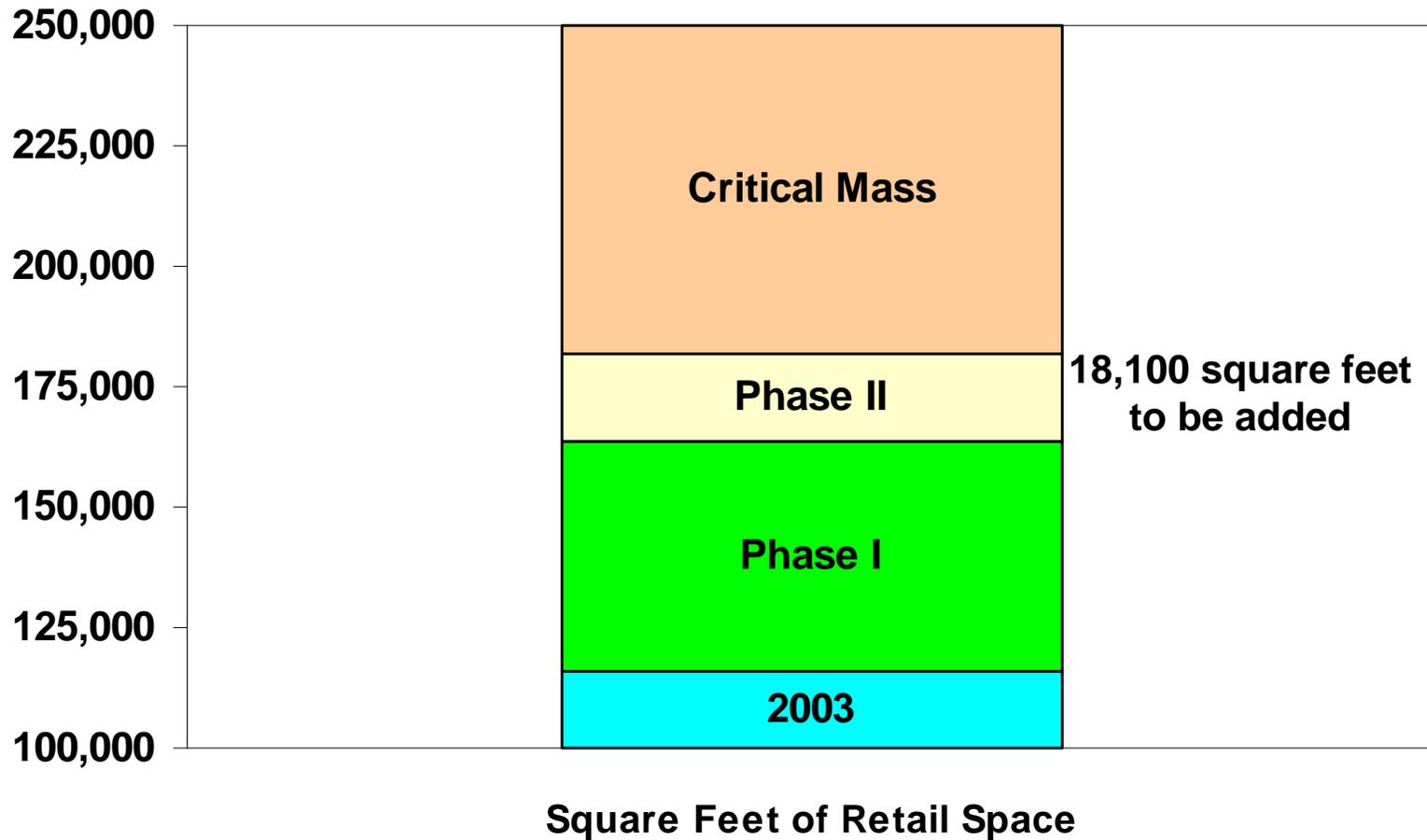


Phase II

- The Initiative has proven to be successful in bringing unique retailers that serve the various market segments downtown.
- The Initiative has also spurred interest from many more retailers who are interested in locating downtown should assistance be available.
- \$700,000 of retail grant funds requested would assist in meeting the 250,000 square feet retail goal.
- The \$700,000 will come from the Public Private Partnership Funds.

Keeping Our Eyes on the Goal

Phase II Plans



Note: The critical mass goal and chart exclude Neiman Marcus.

Phase II (cont.)

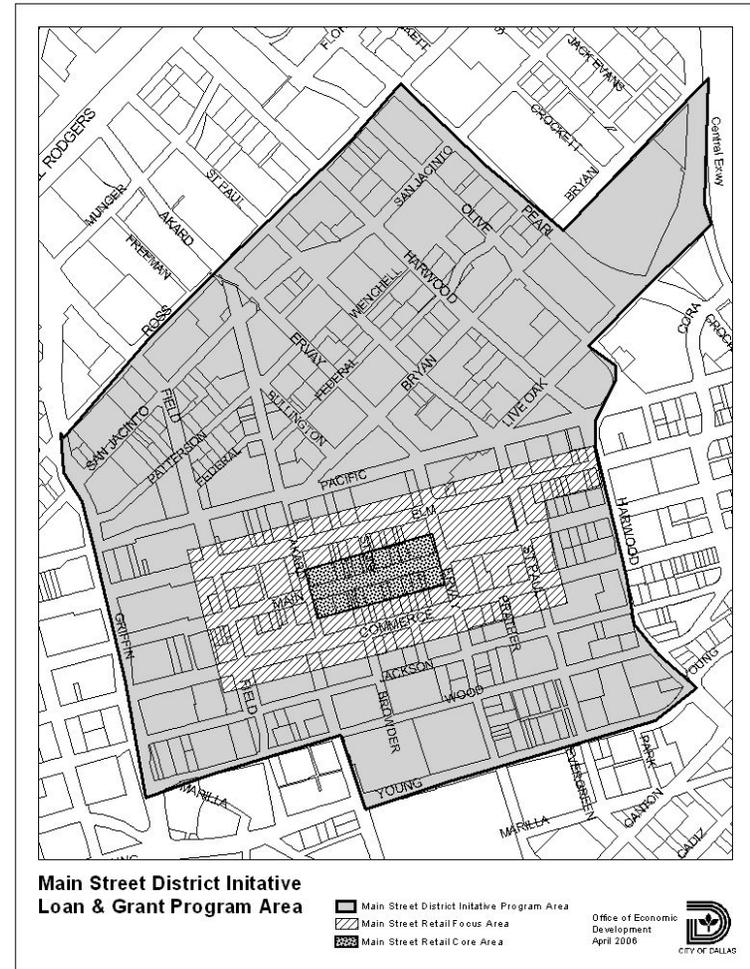
- The proposed initiative focuses on...
 - Recruitment of new retailers
 - Marketing of the district's retailers
 - Retention of current retailers, under extreme circumstances
- The outcomes of a stronger retail component in downtown will in turn stimulate....
 - Above-grade pedestrian traffic, as opposed to tunnel
 - Tourism recruitment
 - Evening and weekend activity
 - Support for residential population
 - Downtown office retention

Phase II (cont.)

- A marketing and leasing partner was and is necessary to coordinate efforts of property owners in the core and real estate brokers.
- A marketing and leasing partner:
 - Proactively recruits retailers
 - Maintains databases necessary to provide information to retailers about available space
 - Markets retailers so they can be successful
 - Coordinates events to attract people to the retailers

Changes Recommended for Phase II

- The May 24th City Council item will amend the point system associated with the criteria so that each potential retailer is offered a lower level of incentives to locate downtown than those who committed during Phase I and to focus the funding area to Main Street, between Ervay and Akard Streets (although the Retail Committee (see Attachment C) may make an exception to allow funding outside the core area).



Changes Recommended for Phase II

- Staff and the Retail Committee anticipate that as the downtown revitalization efforts increase, the risk of opening a business decreases, therefore less public incentives should be necessary to attract retailers – adjustments have been made in Phase II.
- The Retail Committee recommended allowing restaurants to be funded at Stone Street Gardens and Pegasus Plaza to encourage outdoor use, if the tenants meet certain benchmarks.
- A retention policy has been added for extreme cases where it is determined that the closing of a retailer would have enormous detrimental effects on downtown.

Changes Recommended for Phase II

- The evaluation criteria will remain the same, only the point system will change.

– Phase I point system

Rent Subsidy = Total SF x \$18 x 2 years

Tenant Improvements = Points Earned x Public SF x X

X = desirability factor and can range from .75 to .60

Total Incentive Package = Rent Subsidy + Tenant Improvements

– Phase II point system

Rent Subsidy = Total ground floor SF x \$18 x year 1 + Total ground floor SF x \$9 x year 2

Tenant Improvements = Points Earned x Public SF x X

X = desirability factor and can range from .50 to .60

Total Incentive Package = Rent Subsidy + Tenant Improvements

Changes Recommended for Phase II

- The new point system is estimated to lower the incentives to each qualifying retailer by approximately 22%.
- Given the amount of Phase II funds, it is anticipated that approximately 18,110 square feet of retail could open downtown as a result of the Initiative.
- An additional \$2.5 million of funds would provide adequate funding for the 68,135 square feet remaining to reach the 250,000 square foot retail goal.
- The total incentive package amount can be allocated to permanent tenant improvements, rent subsidy, or a combination of the two, based on individual tenant and landlord needs.

Changes Recommended for Phase II

- The effort to recruit the retailers for the second phase of funds will be as challenging and time consuming as the first phase.
- Staff and the Retail Committee recommends that \$30,110 of the \$700,000 Phase II funds be used for marketing and leasing.
- An additional \$31,765, the amount of remaining Phase I funds, will also be used for marketing and leasing for a total of \$61,875.

Changes Recommended for Phase II

- The Marketing and Leasing Partner funds will be used in the following manner:

Recruitment (May 25, 2006-May 25, 2007)	\$37,500
Retail Database/Retail Target List/Creation of Resource Center/Broker events	\$11,000
Sales/Marketing/Advertising	\$13,375
TOTAL	\$61,875

- Without the extension and increase in scope of the Marketing and Leasing Partner contract, the remaining funds would most likely not be allocated and the viability of the existing retail stores would be diminished.

Who are the potential retailers?

- Although there can be no absolute assurance on the sustainability of the retailers selected for the Retail Recruitment Program, City staff and the Retail Committee has the expertise to determine if a retailer's business plan is sound.
- Each potential grant recipient makes presentations to the Committee and provides a business plan that is thoroughly reviewed by the Committee.

Who are the potential retailers?

- The Committee then discusses the viability of the retailer and calculates the points based on the Criteria, if in fact the retailer is desirable.
- As the City is looking to fill the Main Street Core District with unique retailers, it is bound to entice entrepreneurs.
- Only those who have strong business plans and prior experience are recommended.

Who are the potential retailers?



Incentives are intended to help support the retailers in the early years as they grow their business and as the downtown matures.



Who are the potential retailers?

- Funds are distributed on a reimbursement basis.
- As in Phase I, retailers that serve multiple target markets and provide a unique experience will be most valued.
- A semi-annual report will be distributed to City Council describing the financial status of existing retailers and details of potential new recipients.



Next Steps

- On May 24, 2006, staff and the Retail Committee recommend the following authorizations:
 - Phase II of the City of Dallas Main Street District Initiative Loan and Grant Program ("Retail Recruitment Initiative") and funding of the Program in an amount not to exceed \$700,000, established pursuant to Chapter 380.
 - Increase in the services contract with DOWNTOWNDALLAS for marketing and leasing services in an amount not to exceed \$61,875, from \$247,500 to \$309,375, of which \$31,765 will be Phase II funds and \$30,110 will be Phase I funds, and a twelve-month extension to the services contract from May 25, 2006 to May 25, 2007.

Attachment A

Phase I

- In October 2003, the City Council established the City of Dallas Main Street District Initiative Loan and Grant Program to stimulate business and commercial activity within the downtown retail core area.
- The major component of this Program is the Retail Recruitment Initiative.
- This initiative was designed to:
 - attract 40,000 - 60,000 square feet of unique, non-restaurant retailers to the Main Street District
 - create new retail jobs downtown
 - serve all of the downtown customers
 - generate new general fund revenue from retail sales taxes.
- On January 5, 2005, the City Council approved Resolution Number 05-0200, authorizing the Retail Recruitment Initiative Criteria establishing the Implementation Policy for the City of Dallas Main Street District Initiative Loan and Grant Program.

Attachment A

Phase I (cont.)

- A motion was made on the floor during the vote on this item, authorizing the City Manager to negotiate and approve grant agreements in accordance with the Main Street District Loan and Grant Program's Retail Recruitment Initiative and the Retail Recruitment Initiative Criteria.
- The original Initiative reimbursed businesses for start-up costs such as tenant improvements and rent subsidies and funded marketing/leasing through the Downtown Partnership which has been absorbed by DOWNTOWNDALLAS (formerly Central Dallas Association).
- Criteria was created and approved by City Council to determine if a retailer met the program goals, and to what extent.
- All funds are need-based and are used only to secure retailers to the District who would not otherwise locate to the area.

Attachment A Phase I (cont.)

<u>Criteria</u>	<u>Rating Factor</u>			
1 Job Creation	75-100 jobs 7	74-50 jobs 4	49-25 jobs 2	< 24 jobs 0
2 Private Investment/Financial Viability (not including reimbursed TI's)	> \$3m 8	\$3m - \$1.5m 5	\$1.5m - \$.5m 3	< \$.5m 0
3 Square footage of retail store (public area only)	30,000+ 29,999 - 15,000 14,999 - 8,000	2 4 6	7,999 - 5,000 4,999-1,500	8 10
4 Attract other retailers (fulfill co-tenancy requirement)	10			
5 Hours of Operation	Evenings & Wknds 10	Sat & Sun 6	Sat & Thurs Night 4	Thursday Night 2
6 Uniqueness (number of stores)	unique 10	2nd in region 6	<5 in region 2	> 5 in region 0
7 Expressive Retail Facade	5			
8 Second Floor Occupation	5			
9 Located within the Core Target Area	10			
10 Sector of Market Served	Serves Downtown Residents 5	Serves Tourists &/or Regional Market Add 5	Serves Downtown Employees/Relocation from Tunnels Add 5	
11 Ten year lease	5			
12 Minority/Women Owned Business	5			
MAXIMUM TOTAL POINTS	100			

Attachment A

Phase I (cont.)

- The City of Dallas executed a contract with the Marketing and Leasing Partner to implement the program goals by recruiting retailers and promoting the downtown core as a shopping district.
- The success of the Retail Recruitment Program relies on DOWNTOWN DALLAS to...
 - educate retail brokers and property owners
 - recruit new retailers to the area
 - promote the District through both special events and written material
- The Marketing and Leasing Partner recruited the six retailers in Phase I by:
 - Acting as a non-biased clearing house for leasing activity (for brokers and for interested retailers) similar to a shopping center leasing office
 - Pre-qualifying retailers interested in applying for funds
 - Providing walking tours and showing available space to interested retailers
 - Giving presentations about Downtown to interested retailers, to brokers, and to potential business investors
 - Holding broker receptions and keeping open communication with brokerage community to promote the Program and the area

Attachment A

Phase I (cont.)

- The Marketing and Leasing Partner recruited the six retailers in Phase I by (continued):
 - Keeping up-to-date a 'space available' database with detailed property information
 - Assisting retailers through application process
 - Consulting with some retailers on their business plans
 - Proactively targeting and recruiting retailers
 - Marketing retailers who have opened through advertising campaigns, special events and co-op promotions

Attachment B

Downtown Improvement District Activities

- The Downtown Improvement District (DID) funds are spent throughout the downtown area, not necessarily focusing on the Main Street Core Area.
- The funds supplement the City's contract.
- DID funds are used for general downtown events while the Retail Program's Marketing and Leasing Partner funds are dedicated to retail promotion.

Attachment B

Downtown Improvement District Activities (cont.)

DID Communications, Marketing & Events Budget:

2005 Total Program Allocation: \$317,425

Program Services: \$49,250

- Discover Downtown
- Market Data Packages
- Downtown This Week Newsletter
- Web Site maintenance/updates
- Map printing

Special Programs: \$112,500

- Information kiosk and kiosk staff
- Downtown marketing campaign (2005-2006 initiative)

Entertainment & Events: \$105,657

- Out to Lunch (16 concerts, 1/3 at Pegasus Plaza)
- Downtown Roundup Chili Cook-off & State Fair Parade
- Holidays Event/Tree Lighting
- Special Events hotline
- EarthFest (SBC and Pegasus Plaza)

Sponsorships: \$40,000

- DID sponsorship of events produced by others. For the Main Street District in 2005. that included: Preservation Dallas' Celebrate Downtown 2005!; Main Street Live; Neiman Marcus/Adolphus/Children's Parade; Dallas Veterans Day Parade

Reports: \$10,000

Retail Recruitment/Retention Marketing: \$75,000

Until June 2004, this amount was paid monthly to the Downtown Partnership. The funds are now allocated monthly to the Central Dallas Association for Main Street District retail marketing, and has been used for the Holiday event and advertising. The same amount will be allocated in 2006. This activity is not calculated in the total at the top of the page.



Attachment C

Retail Committee

- The Retail Committee, charged with recommending retailers to receive Retail Recruitment funds based on the City Council's policy and criteria, is comprised of the following individuals:
 - Shelle Bagot, Neiman Marcus, VP & GM of Downtown Store, City Center TIF District Board Member, Downtown Connection TIF District Board Member, and DDDA Board Member
 - Mike Harling, Municipal Capital Markets Group, past City Center TIF District Board Member
 - Guymon Phillips, Guymon H. Phillips, PE, past City Center TIF District Board Member
 - Laura “Zane” Aveton, Downtown resident, past City Center TIF District Board Member
 - Jim Truitt, Forest City
 - Doug Chesnut, Gables Residential
 - LaRue Thornton, Kül Design Studio (downtown retailer)
 - Stephanie Shultz, Crimson in the City (downtown retailer)
 - Jim Wood, Office of Economic Development
 - David Cossum, Department of Development Services